

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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DEC 14 1994

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

In the Matter of)
Simplification of the)
Depreciation Prescription Process)

CC Docket 92-296
[FCC 94-256]

ORIGINAL

REPLY COMMENTS OF THE
NATIONAL ASSOCIATION OF REGULATORY UTILITY COMMISSIONERS

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December 14, 1994

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REPLY COMMENTS OF THE
NATIONAL ASSOCIATION OF REGULATORY COMMISSIONERS

Pursuant to Section 1.49, 1.415, and 1.419 of the Federal Communications Commission's ("FCC" or "Commission") Rules of Practice and Procedure, 47 C.F.R. Sections 1.49, 1.415, & 1.419 (1992), the National Association of Regulatory Utility Commissioners ("NARUC") respectfully submits these reply comments on the FCC's Further Order Inviting Comments ("FOIC") adopted October 7, 1994, and released October 11, 1994, in the above-captioned proceeding.

In its initial comments, NARUC stated that it continues to endorse the depreciation simplification process. Further, NARUC offered support for the proposed ranges of projection lives and net salvages, and found that these ranges provide sufficient flexibility to allow most carriers to utilize the simplification process. NARUC appreciates the opportunity to offer reply comments and will address several areas raised by others' comments that need further clarification.

COMMENTS

First of all, several parties used this forum to discuss items unrelated to the October 11, 1994 FOIC. That Order clearly and specifically invited "comments on our proposals for setting ranges from the remaining 12 plant categories" (FOIC, paragraph 1). Nonetheless, Bell Atlantic, BellSouth, Southwestern Bell, the United and Central Telephone Companies (the Sprint LECs), and the United States Telephone Association (USTA) furthered argued their position that the FCC should have adopted the Price Cap Carrier Option in its September 23, 1993 Report and Order in this proceeding. This issue is currently the object of several petitions for reconsideration, and therefore is unrelated and irrelevant to the FOIC.

A second topic not germane to the FOIC was discussed by Bell Atlantic, US West, and USTA. That involved the requirement that a full study must be produced before a company is permitted to move into a projection life or net salvage range when its existing parameters are outside the range. Again, this is an issue totally unrelated to the FOIC in that it has nothing at all to do with the specific items upon which the FCC solicited comments. Accordingly, these comments should be disregarded.

Many of the parties argued that the proposed ranges are unrealistic because they do not reflect the impact of technology and competition. They believe that the ranges are too narrow and backwards looking. Instead, according to these parties, the FCC should utilize the Technology Futures, Inc. ("TFI") life recommendations as a basis for the category ranges.

NARUC believes that these arguments are based on the presumption that Local Exchange Carriers ("LECs") should be free to adopt whatever depreciation rates they wish. If the FCC were to adopt the broad life ranges suggested by the LECs, the companies would in essence achieve the Price Cap Carrier option which was appropriately rejected by the FCC. Concerning the Fisher-Pry technique advocated by TFI, NARUC discussed this starting at page 10 of its January 24, 1994 Reply Comments regarding phase one of the simplification process. Here NARUC readily agreed that Fisher-Pry can be a useful analytical tool, but the results are not sufficiently reliable to use as the basis for establishing ranges of projection lives. NARUC's position remains unchanged.

The LECs further contended that the proposed ranges are based on factors derived with a heavy emphasis on historical retirement activity, and accordingly are not forward looking and ignore technological change.

NARUC notes that the FCC and many states are placing less emphasis on historical mortality data when prescribing depreciation lives for accounts expected to be most heavily impacted by technology and competition. In fact, in many cases the companies are given the benefit of the doubt, and lives are prescribed that are significantly shorter than those which recent historical life indications and retirement activity would support.

The last, and perhaps most important, point NARUC wishes to make is one discussed at pages 5 and 6 of its initial comments. It appears the main thrust of the LEC comments is to broaden the ranges, specifically on the lower end.

NARUC is concerned that an individual LEC will pick and choose wherever it wants within the range, and recent actual experience with companies using ranges for 1994 prescriptions reveals that companies automatically will pick the lower end of the range.

NARUC again reminds the FCC that this is a depreciation simplification proceeding; **not** a depreciation rate increase proceeding. LECs should be able to support the lives and net salvage factors they adopt. This support should be based on company operations as well as current and long range network engineering and business plans. There should be nothing arbitrary in selecting a point within the range.

As a further safeguard, the FCC may wish to consider requiring a LEC using the Basic Factors Range Option to file an affidavit signed by a responsible party for each category stating that the requested basic factors are consistent with the company's future operating plans.

In closing, NARUC reiterates its belief that the proposed basic factors are sufficiently low and the ranges are adequate. NARUC supports the proposed ranges of projection lives and net salvages, and urges the FCC to adopt them. However, NARUC respectfully requests the FCC to take note of the concerns mentioned herein.

Respectfully submitted,



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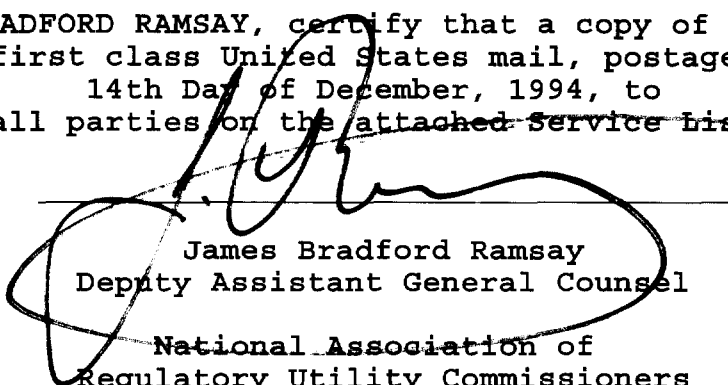
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CERTIFICATE OF SERVICE

I, JAMES BRADFORD RAMSAY, certify that a copy of the foregoing was sent by first class United States mail, postage prepaid, this 14th Day of December, 1994, to all parties on the attached Service List.



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